

Message Text

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FOR COMMERCE/BIC/OITP

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TAGS: EFIN ID

SUBJECT: GOI POLICY CHANGES ON OPERATIONS OF
FOREIGN INSURANCE COMPANIES

REF: STATE 084565

1. FOLLOWING RECEIPT REFTEL EMBOFFS MET WITH MOH. HASJIM, DIRECTOR OF FINANCIAL INSTITUTIONS, DEPARTMENT OF FINANCE, FOR FURTHER DISCUSSION CONCERNING GOI STATEMENT OF POLICY ON DEVELOPMENT OF NATIONAL INSURANCE SECTOR AND TO CONVEY USG REACTION TO GOI RECOMMENDATION THAT FOREIGN INSURANCE COMPANIES INCLUDING TWO AMERICAN BRANCH OFFICES IN JAKARTA, AFIA AND AIU, ESTABLISH JOINT VENTURES WITH NATIONAL INSURANCE COMPANIES.

2. EMBOFFS CONVEYED SUBSTANCE OF REFTEL TO HASJIM WHO STRESSED FORMATION OF JOINT VENTURES BY FOREIGN INSURANCE COMPANIES WAS INTENDED TO BE VOLUNTARY NOT COMPULSORY. HE DESCRIBED STATEMENT OF POLICY AS MEASURE UNDERTAKEN BY GOI TO IMPROVE MANAGEMENT AND CAPITAL STRUCTURE OF EXISTING NATIONAL INSURANCE COMPANIES. OTHER RELATED MEASURES INCLUDE RECENTLY ANNOUNCED INCREASES IN OBLIGATORY DEPOSIT AND PAID UP CAPITAL.
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CAPITAL REQUIREMENTS FOR INSURANCE COMPANIES

WHICH WILL BE REPORTED IN SEPARATE MESSAGE.

3. IN ADDITION, HASIM SAID THAT SINCE ISSUANCE OF GOI STATEMENT OF POLICY, DIRECTORATE OF FINANCIAL INSTITUTIONS HAS RECEIVED LETTERS OF INTENT FROM 3 OR 4 INSURANCE COMPANIES WHICH WERE CONTEMPLATING JOINT VENTURES. OF THESE, VENTURE MOST LIELY BE REALIZED FRIST WAS P.T. ASURANSI JASA INDONESIA (STATE COMPANY) AND TOKYO MARINE AND FIRE INSURANCE COMAPNY. HASJIM POINTED TO THIS DEVELOPMENT AS EXAMPLE FO JAPANESE QUICKNESS TO RECOGNZE BENEFITS BE DERIVED FROM BUSINESS ARRANGEMENT WITH STATE COMPANY.

4. HASJIM EXPRESSED VIEW AMERICAN COMAPNAIES SEEMED HAVE PHILOSOPHICAL PROBLEM IN JOINT WITH STATEM COMAPNIES. EHILE HE UNDERSTANDS REEASONS FOR THEIR RELUCTANCE, HE COMMENTED U.S. COMPANIES SEEMED BE THINKING OF STATE COMAPNIES AS THEY EXISTED IN EARLY SIXTIES -- UNDER TIGHT CONTROL OF GOI. HE SAID THIS IS NO LONGER THE CASE. GOI DOES NOT CONSIDER INSURANCE AS STRATEGIC SECTOR AND IT WILL NOT HOLD INSURACNE COMPANIES UNDER TIGHT CONTROL.

5. HASJIM STATED THERE ARE MANY PROSPECTIVE JOINT VENTURE PARTNERS FOR TWO BRANCHES OF AMERICAN INSURANCE COMPANIES ESTABLISHED IN JAKARTA. AMONG THESE ARE: P.T. MASKAPAI ASURANSI BINTANG, P.T. PERUSAHAAN ASURANSI MURAI, P.T. MASKAPAI ASURANSI INDONESIA, P.T. MASKAPAI ASURNASI UMUM WUWUNGAN AND ABOUT TEN OTHER COMPANIES. HASJIM SAID ALL FOREIGN COMPANIES ARE BEING GIVEN CHOICE OF EITHR FORMING JOINT VENTURE AND BEING ALLOWED ESTABLISH BRANCHES OUTSIDE JAKARTA (FOR AN OBLIGATORY DEPOSIT OF RUPIAH 20 MILLION (APPROX: \$48,193), OR UNCLASSIFIED

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OF REMAINING STRAIGHT DDREIGN OWNED COMPANIES CONFINED TO JAKARTA AREA WITH OBLIGATORY DEPOSIT OF \$200,000 (ACUTALLY AN INCREASE OF \$100,000 OVER THE EXXISTING REQUIRED DEPOSIT OF \$100,000).

6. TURNING TO SUBJECT OF TRAINING, HASJIM SAID FOREIGN INSURANCE COMPANIES HAD BEEN MOST RES-

PONSIVE IN THIS REGARD BUT INDONESIAN EMPLOY-
EES DID NOT BENEFIT AS MUCH AS E AND
COMPANIES WOULD LIKE. TRAINING NEEDED BE
CONDUCTED BY EXPERTS IN INDONESIAN OR ENGLISH.
HE LAMENTED, HOWEVER, NOT ONLY WERE THERE NO
AVAILABLE QUALIFIED INDONESIANS TO TEACH
INSURANCE CLASSES BUT THERE WERE ALSO VERY
FEW INDONESIAN EMPLOYEES WHO HAD DEVELOPED
THIER PROFICIENCY IN ENGLISH TO LEVEL THEY
COULD BENEFIT FROM SUCH INSTRUCTION.
HASJIM SAID THIS SERIOUS PROBLEM WAS HOLDING
BACK DEVELOPMENT OF INDONESIAN INSURANCE
SECTOR WHOSE MANAGEMENT CAPABILITY AND SKILLS
WERE DESPAERATELY IN NEED OF UPGRADING.

7. SUBSTANCE OF THIS MESSAGE WAS CONVEYED TO
MANAGERS OF TWO AMERICAN INSURANCE COMPANIES
IN JAKARTA WHO INFORMED EMBOFFS THEY WERE
HOLDING DISCUSSIONS WITH PROSPECTIVE JOINT
VENTURE PARTNERS. IT WAS ALSO DISCUSSED
WITH AIU'S REGIONAL MANAGER FROM HONG KONG,
MR. E.W, TILLING AND CORPORATE VICE PRESIDENT
FROM THE U.S. MR. H. FREEMAN,
DURING THEIR RECENT VISIT TO JAKARTA.
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